

Applicant : Kurt C. McCracken  
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### REMARKS

In reply to the applicant's appeal brief, the examiner has not presented any new grounds for rejection. Instead, he has merely added specific references (previously cited to support "official notice") to the list of references that have been strung together to establish the alleged obviousness of the claims.

What appears to be a circular "obvious combination because of obvious advantages" argument has also been stated as a motivation to combine the references.

The applicant stands by its argument, presented in the appeal brief, that the examiner has improperly applied hindsight to re-create a chain of references in support of the obviousness rejection.

Additional comments of the applicant below are each preceded by related comments of the examiner (in small, bold type).

#### **Claims 1-15 and 26-28**

**Claims 1-7, 9-15 and 26-28 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), and official notice. As per claim 1, Ward discloses acquiring one or more properties from one or more investors in exchange for an interest in an investment entity, and discloses tax advantages of such investment entities (LLC's). Hitchings discloses using a machine to (e) identify properties appropriate for disposition (Abstract; paragraphs 3-5 and 11-17); and exchanging at least one of the identified properties that falls outside of an investment profile for at least one other property in a tax-advantaged exchange (Abstract; paragraphs 3-5 and 11-17). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to identify properties appropriate for disposition, and exchange at least one such property that falls outside of an investment profile for at least one other property in a tax-advantages exchange, for the stated advantage of implementing functions such as reconciliation and reporting with greater efficiency and accuracy, and the obvious advantages of profiting by exchanging property judged to be likely to be less profitable for property judged likely to be more profitable, and reaping any benefits to be obtained from the tax laws in making such exchanges.**

**Ward does not disclose using a machine to (a) track each investor's basis in an investment entity, (b) allocate each investor's basis in his interest in the investment entity among properties acquired by the investment entity, and (c) track the allocated basis of each investor as a result of a succession of transactions, but this is what mutual funds and other investment vehicles do, as taught, for example, by Moreau. Moreau teaches mutual funds paying dividends and capital gains distributions, which implies tracking each investors basis in his interest in the investment entity (mutual fund), to know how much to pay or distribute**

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to which investor. Moreau discloses capital gains distributions, "your share of the profits on the stock trades inside the fund," which implies allocating each investor's basis in his interest in the various stocks traded inside the fund, to determine the appropriate capital gains (or losses) to be allocated to each investor as the result of a succession of transactions (stock trades). Moreau does not expressly disclose carrying out these steps using a computer, but does disclose a fund figuring total return with the help of a computer; it is hard to believe that a fund would use a computer for this, but not for tracking the various investors' bases in the fund, and the dividends and capital gains distributions due to them. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to use a machine to carry out these steps, for the obvious advantage of efficiently carrying out the necessary functions for tracking investments and returning appropriate sums to investors in the forms of dividends, redemptions of shares, etc., and for the obvious advantage of not having to employ large numbers of scribes to make the necessary calculations on paper with quill pens.

Ward does not expressly disclose enhancing the value of at least one of the properties by physical improvements and redeeming an interest of at least one of the investors in an investment entity at a value based on the current value, but official notice is taken that it is well known for managers/developers to routinely enhance the value of property by physical improvements, and well known to redeem an interest of at least one of the investors in an investment entity at a value based on the current value (e.g., this is what investors in mutual funds routinely do, as implied in the final paragraph of Moreau's article). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to enhance the value of at least one of the properties by physical improvements, for the obvious advantage of profiting from higher rents and/or selling prices; and to redeem an interest of at least one of the investors in an investment entity at a value based on the current value, for the obvious advantage of redeeming at an appropriate value. (If investors were not able to redeem their interests, or not able to do so unless at a value far below the current value, not reflecting profits made by the investment entity, they would be reluctant to invest in the first place; if investors were able to redeem their investments at a value above the current value [not reflecting losses of the investment entity, perhaps], they would tend to do so eagerly, until the investment entity became bankrupt from unsustainable redemptions.)

The claims have been amended to recite that the machine-based methods are "for use in connection with investments in real properties." None of the cited references describes or would have made obvious, e.g., "acquiring one or more real properties from one or more investors through tax advantaged transactions," "allocate[ing] each investor's basis in his interest in the investment entity among real properties acquired by the investment entity," "determine[ing] a current value of an interest in the investment entity based on characteristics of the one or more real properties held by the investment entities," or "exchanging at least one of the identified real properties that falls outside of an investment profile for at least one other real property in a tax-advantaged exchange."

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Despite having combined no fewer than three references and "official notice," the examiner has failed to identify each element of claim 1 in the cited references, or has done so only by comparisons that are not supported.

For example, the examiner asserts that Ward "discloses acquiring one or more properties in exchange for an interest, and discloses tax advantages of such investment entities (LLCs)" (OA, p. 2), but fails even to allege that Ward discloses what is actually recited in claim 1, namely that the properties are acquired from the investors through "tax advantaged *transactions*." The disclosure of "tax advantages of ... entities" by Ward does not amount to a disclosure of "tax advantaged transactions" as a way to get the properties from the investors into the entity.

In addition, the examiner asserts, citing Moreau, that it was well-known and routine for mutual funds to "(c) track the allocated basis of each investor as a result of a succession of transactions" (OA, p. 3). Even if true, that notion is irrelevant to claim 1, because what claim 1 recites is tracking the allocated basis as a result of a succession of transactions that are "tax-advantaged exchange transactions." The examiner never asserts that it was known or routine to do that and has therefore failed to justify his rejection of claim 1.

More generally, all of the references cited by the examiner concern traditional stock market and banking-based investments, not real estate. There is no evidence that the general attributes of mutual funds (Moreau), LLCs (Ward), bank accounts (Halifax), automobile financing (Hitchings), and the many other general investment and banking industry articles the examiner cited to support "official notice" would have been relevant to someone engaging in the very different activity of developing investments in the field of real property.

In addition to failing to present references showing all the elements of the claims, the examiner has not identified a legally sufficient motivation to combine the references, nor has he identified an indication that such a combination would lead to the claimed process.

In the most recent action, the examiner has attempted for the first time to point out a motivation to combine the references, but repeatedly makes the apparently circular argument that various combinations of references were obvious because they provided "obvious advantages." The applicant respectfully disagrees.

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As per claims 2, 3, 4, and 11, official notice is taken ...

As per claims 5 and 6, official notice is taken ...

As per claim 7, Ward discloses ...

As per claim 9, official notice is taken ...

As per claim 10, official notice is taken...

Claims 12 and 13 recite limitations essentially parallel to those of claims 6 and 5 (in that order); claims 14 and 15 recite limitations essentially parallel to those of claims 6 and 5 (in that order). Therefore, claims 12-15 are rejected on the grounds set forth above with regard to claims 5 and 6.

Claim 26, Ward does not expressly disclose ...The alternative, for the values of interests in the investment entity to bear no relation to a current value, is implausible, ...

As per claim 27, official notice is taken...

As per claim 28, Ward discloses ...

Claim 8 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward, Hitchings, Moreau, and official notice as applied to claim 1 above, and further in view of the anonymous article, "Halifax Account Wrangle." ...

Claims 16-22, 24, and 25 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), and official notice. Claim 16 is essentially parallel to claim 1 (which does not expressly recite a management entity, but such an entity is inherent from the disclosed actions, which constitute management); further, Ward discloses a management entity ("OPERATING AGREEMENT," "MANAGEMENT PROVISIONS," etc.). Also, official notice is taken that it is well known to record and analyze investments; any sort of investment entity run with very minimal competence does this, and it is typically done with the use of a machine (computer). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to record and analyze investments held by the Investment entity, for the obvious advantage of being able to judge successes and failures, modify plans, file tax returns and other required government reports, pay investors their due, etc.

Ward does not expressly disclose analyzing other properties within the investment profile for possible investment by means of tax-advantaged transactions, but\* official notice is taken that it is well known to analyze properties for possible investment, including analysis of tax advantages, etc. (this is a large part of what mutual funds, investment firms, mutual funds, REIT's, insurance companies, etc. do). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to analyze other properties within the investment profile for possible investment by means of tax-advantaged transactions, for the obvious advantages of finding good properties to invest in, and avoiding investments likely to be unprofitable.

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Without conceding that amended claim 16 and claim 1 are "essentially parallel," the applicant maintains its argument that claim 16 is patentable for the same reasons as claim 1 and for the additional reasons presented in the appeal brief of January 6, 2006. The latest office action addressed only one of these reasons:

Ward does not expressly disclose analyzing other properties within the investment profile for possible investment by means of tax-advantaged transactions, but official notice is taken that it is well known to analyze properties for possible investment, including analysis of tax advantages, etc. (this is a large part of what mutual funds, investment firms, mutual funds, REIT's, insurance companies, etc. do). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to analyze other properties within the investment profile for possible investment by means of tax-advantaged transactions, for the obvious advantages of finding good properties to invest in, and avoiding investments likely to be unprofitable.

(The applicant notes that the reference to REITs, which it presumes stands for real estate investment trusts, is not supported by the documents previously presented in support of "official notice")

Other elements of claim 16 that have not been shown to have been obvious in combination include "exchanging properties through tax advantaged transactions," the investment profile comprises "a disciplined portfolio approach that uses diversification and contingent risk minimization," enhancing properties by "refurbishment and management efficiencies," and a "plan of redemption of interests of investors," as addressed in detail in the appeal brief.

Claims 17, 18, 19, 20, 21, and 22 are essentially parallel to claims 2,3,4, 5,6, and 7, respectively, and rejected on the grounds set forth above for those claims.  
As per claim 24, Ward discloses ...

As per claim 25, Ward discloses ...

Claim 23 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward, Hitchings, Moreau, and official notice as applied to claim 16 above, and further in view of the anonymous article, "Halifax Account Wrangle." Claim 23 is closely parallel to claim 8, and rejected on the grounds set forth above for that claim.

#### Claim 29

Claim 29 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), the anonymous article, "Halifax Account Wrangle," and official notice. Claim 29 is essentially parallel to claim 1

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with claims 8 and 26 included, and rejected on essentially the same grounds set forth above with regard to those claims. Claim 1 does not recite defining an investment profile, but official notice is taken that this is well known; prospectuses for mutual funds, REIT's, etc., typically define and set forth their investment profiles. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to define an investment profile, for the obvious advantages of attracting investors, and providing some protection from complaints and lawsuits in the event of investing according to the profile turning sour.

Ward is not explicit that properties are acquired and interests redeemed at a succession of different times, but official notice is taken that this is well known (mutual funds, REIT's, and other entities typically acquire properties and let investors redeem interests at a succession of different times). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to do these things at a succession of different times, for the obvious advantage of acquiring properties as the properties, and/or funds with which to buy them, became available, and redeeming interests as convenient to the investors and/or the investment entity.

As explained for claim 16, amended claim 29 is patentable for at least the same reasons as claim 1 and has additional patentable features that differ from claim 1. The examiner has failed to address all of those features. Nor has the examiner explained how the combination of all of the features of claim 29 would have been motivated or suggested other than through the "obvious advantages" argument. Thus, the examiner has failed to give an adequate rejection of claim 29.

In claim 29, the rate of redemption of interests is controlled "to reduce the need to divest properties at depressed values" to fund the redemptions. The examiner implied in the previous office action that this feature is essentially the same as the feature of claim 8 (April 2005 OA, p. 12). This is incorrect, and the examiner has given no basis for the existence of this feature in any of the cited references. The examiner has not repeated this argument, but has not advanced any other grounds for finding this feature obvious.

#### **Response to Arguments**

In response to the Appeal Brief received January 10, 2006 (mailed January 6, 2006), Examiner has re-opened prosecution, making explicit in the claims his use of some prior documents made of record in the previous Office action in response to Applicant's traversal of some takings of official notice, and also taking explicit official notice of points which were taken as obvious or well known without such explicit statement.

Those of the common knowledge or well-known in the art statements in the previous office action which were not traversed are taken to be admitted prior art, because Applicant did

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not traverse Examiner's taking of official notice (for some facts of which official notice was taken).

#### Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Gastineau et al. (U.S. Patent 6,941,280) disclose determining intra-day net asset value of an actively managed exchange traded fund.

All of the dependent claims are patentable for at least the reasons for which the claims on which they depend are patentable.

Canceled claims, if any, have been canceled without prejudice or disclaimer.

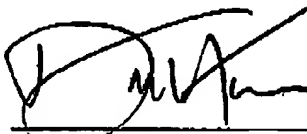
Any circumstance in which the applicant has (a) addressed certain comments of the examiner does not mean that the applicant concedes other comments of the examiner, (b) made arguments for the patentability of some claims does not mean that there are not other good reasons for patentability of those claims and other claims, or (c) amended or canceled a claim does not mean that the applicant concedes any of the examiner's positions with respect to that claim or other claims.

No fees are believed due at this time. Please apply any other charges or credits to deposit account 06-1050, reference 12016-002001.

Respectfully submitted,

Date: \_\_\_\_\_

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